

Message Text

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PAGE 01 BUDAPE 01304 230919Z
ACTION EB-04

INFO OCT-01 SS-14 ISO-00 L-01 EUR-08 INR-05 CIAE-00
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FM AMEMBASSY BUDAPEST
TO SECSTATE WASHDC 8349
INFO USDEL MTN GENEVA

C O N F I D E N T I A L BUDAPEST 1304

LIMDIS

GENEVA FOR CULBERT AND AMBASSADOR ONLY

E.O. 11652: GDS
TAGS: EEWT, ETRD, GATT, HU
SUBJECT: POSSIBLE MFN DISCUSSIONS WITH HUNGARY

REF: (A) BUDAPEST 1190 (NOTAL), (B) STATE 072285, (C)
BUDAPEST 1069, (D) STATE 069580, (E) STATE 069136,
(F) MTN GENEVA 2280

1. SUMMARY: NYERGES HAS EXPLAINED SOMEWHAT MORE EXPLICITLY
WHAT GOH IS PREPARED TO DISCUSS AT PRESENT TIME CONCERNING
MFN. HE BELIEVES THAT FULL TECHNICAL RAMIFICATIONS OF ANY
POSSIBLE GOH ACCEPTANCE OF TERMS OF 1974 TRADE ACT
SHOULD BE EXAMINED BEFORE HUNGARY MAKES BASIC DECISION
WHETHER OR NOT TO ENTER FORMALLY INTO DISCUSSIONS ABOUT
POSSIBLE EMIGRATION ASSURANCES. NYERGES' THINKING IS
DETAILED IN THIS CABLE. END SUMMARY

2. IN DISCUSSIONS APRIL 20 ON TRADE, CSCE AND OTHER MATTERS
JANOS NYERGES, GATT NEGOTIATOR AND SENIOR GOH OFFICIAL
RESPONSIBLE FOR MULTILATERAL TRADE AFFAIRS, EXPLAINED
CONFIDENTIAL

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PAGE 02 BUDAPE 01304 230919Z

TO ECONOFF IN SOMEWHAT MORE DETAIL WHAT NYERGES, AND PRESUMABLY
GOH, SEES AS NEXT STEP IN ANY DISCUSSIONS WITH USG RE
MFN.

3. ECONOFF ASCERTAINED THAT NYERGES WAS FULLY AWARE
THAT: (A) TO DATE, THE ADMINISTRATION HAS NOT YET
FORMULATED A POSITION ON THE QUESTION OF REVISING THE

TRADE ACT OF 1974, BUT WOULD PROBABLY CONSULT WITH THE CONGRESS ON THIS MATTER IN THE FUTURE (REF E); (B) U.S. CANNOT DISINVOKE GATT ARTICLE 35 AS LONG AS JACKSON/VANIK IN FORCE (REF B); (C) COMMERCIAL AGREEMENT LEADING TO MFN WOULD REQUIRE PERIODIC PRESIDENTIAL LETTER TO CONGRESS CONCERNING HUNGARIAN EMIGRATION PRACTICES; AND (D) PRESIDENT COULD WITHDRAW MFN AT ANY TIME.

4. NYERGES INDICATED THAT HE IS AWARE OF TERMS OF TRADE ACT, BUT STILL HAS SOME QUESTIONS. HIS APPROACH, HE SAID, WOULD BE TO EXPLORE ALL OTHER PROBLEMS THAT MIGHT ARISE BEFORE HUNGARY FACES THE KEY QUESTIONS OUTLINED IN PRECEDING PARAGRAPH.

5. FOR INSTANCE, NYERGES ASKED, IF HUNGARY WERE TO OBTAIN MFN UNDER TERMS OF TRADE ACT, COULD U.S. THEN DISINVOKE ARTICLE 35? ECONOFF REPLIED THAT WHILE HIS PERSONAL OPINION WAS THAT ALTHOUGH THIS APPEARED UNLIKELY, TO BEST OF HIS KNOWLEDGE QUESTION HAS NOT BEEN EXAMINED IN DETAIL, AND EMBASSY WOULD INQUIRE ABOUT DEPARTMENT'S OPINION (PARA 3, REF B).

6. NYERGES NOTED THAT OTHER, NON-EMIGRATION SPECIAL RESTRICTIONS AGAINST NME'S OF TRADE ACT CONCERNING U.S. COMMERCIAL RELATIONS WITH NON-MARKET ECONOMIES (SUCH AS DUMPING, COUNTERVAILING DUTIES AND MARKET DISRUPTION) MIGHT WELL BE MET BY TERMS OF HUNGARY'S ACCESSION TO GATT. (NOTE: NYERGES HAD EARLIER EXPOUNDED ON HUNGARIAN EFFORTS TO HAVE "DIS-CRIMINATORY" EC QUOTA RESTRICTIONS EASED OR REMOVED -- CONFIDENTIAL

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PAGE 03 BUDAPE 01304 230919Z

REF F, PARA 4). NYERGES STATED THAT IN HIS OPINION HUNGARY'S GATT ACCESSION TERMS WOULD FULLFILL SPIRIT AND INTENT OF TRADE ACT -- EXCLUDING JACKSON/VANIK AMENDMENT. HE ASKED THAT USG COMPARE CLOSELY DUMPING, MARKET DISRUPTION AND OTHER REQUIREMENTS OF TRADE ACT WITH HUNGARY'S GATT ACCESSION PROTOCOL; NYERGES WOULD LOOK FORWARD TO DISCUSSING RESULTS OF SUCH STUDY AS NEXT STEP IN BILATERAL MFN DISCUSSIONS. IN OTHER WORDS, BEFORE TACKLING MOST IMPORTANT QUESTION CONCERNING EMIGRATION ASSURANCES (ABOUT WHICH NYERGES MAINTAINS GOH HAS REACHED NO FIRM CONCLUSIONS AT THIS POINT) HUNGARY WOULD LIKE TO KNOW ABOUT ALL OTHER ASPECTS OF ENTERING INTO COMMERCIAL AGREEMENT WITH U.S. NYERGES HAS STUDIED U.S./ROMANIAN AGREEMENT, KNOWS THAT USG DID NOT DISINVOKE GATT ARTICLE 35 IN ROMANIAN CASE, AND THAT ROMANIAN/U.S. AGREEMENT DOES STATE THAT GATT REGULATIONS WILL PREVAIL UNLESS OTHERWISE PROVIDED FOR.

7. ECONOFF REPLIED THAT HE WOULD REPORT NYERGES'

REQUESTS TO DEPARTMENT.

8. ACTION REQUESTED: ALTHOUGH EMBASSY HAS WITNESSED SEVERAL MONTHS OF MIXED SIGNALS, IT APPEARS THAT GOH HAS NOT ENTIRELY FORECLOSED POSSIBILITY OF OBTAINING MFN UNDER PRESENT TERMS OF TRADE ACT IF THERE APPEARS TO BE NO OTHER WAY OUT. IN MEANTIME, GOH WOULD LIKE TO KNOW OTHER, TECHNICAL RAMIFICATIONS IF IT WERE TO MAKE A POSITIVE DECISION. EMBASSY RECOMMENDS THAT DEPARTMENT DETERMINE: (A) IF U.S. COULD IN FACT DIS-INVOKE GATT ARTICLE 35 SHOULD HUNGARY AGREE TO PROVIDE ADEQUATE EMIGRATION ASSURANCES AND ENTER INTO COMMERCIAL AGREEMENT; AND (B) IF NOT ONLY SPIRIT BUT ALSO LETTER OF TRADE ACT OF 1974 CAN BE MET BY USING TERMS OF HUNGARY'S GATT ACCESSION PROTOCOLS, OR WHETHER SIGNIFICANT DIFFERENCES EXIST CONCERNING MARKET DISRUPTION, CVD'S AND DUMPING.

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PAGE 04 BUDAPE 01304 230919Z

MUDD

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